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OFFICE OF GENERAL
COUNSEL
U.S. Department of Justice
Criminal Division
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Washington, D.C. 20530

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By Hand

Mr. Lawrence R. Noble
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

Dear Mr. Noble:

Re: United States v. MSE Technology Applications, Inc.

We are forwarding herewith one check payable to the Federal Election Commission in the amount of \$19,500.00 from MSE Technology Applications, Inc. (MSE, Inc.), the defendant in the captioned criminal Federal Election Campaign Act (FECA) case that has been recently concluded by a guilty plea in the District of Montana.

This check has been tendered to us by this corporate defendant as a consequence of a global plea agreement through which it seeks to satisfy simultaneously its criminal and its administrative liability for knowingly and wilfully violating FECA by laundering \$9,750.00 from the defendant's corporate treasury to the 1998 Senatorial campaign of Missouri Senator Kit Bond through conduits, in violation of 2 U.S.C. §§ 441b, 441f and 437g(d). The amount tendered to the Commission represents 200% of the value of the knowing and wilful FECA violations to which this defendant admitted in its guilty plea.

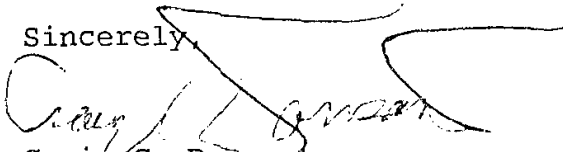
We also are also enclosing copies of the plea agreement and the charge to which this defendant pleaded guilty. We will forward transcripts of relevant court proceedings when they have been completed. As indicated in these materials, defendant MSE, Inc. has admitted that it knowingly and wilfully violated 2 U.S.C. §§ 441b and 441f, it has paid a criminal fine of \$97,500.00, and it has been placed on probation by the United States District Court for the District of Montana for two years. During this probationary period, MSE, Inc.'s principal officers will implement an internal corporate program designed by this office to prevent future violations of FECA, as well as perform 200 hours of community service lecturing on the requirements and prohibitions of FECA to business and collegiate audiences

throughout the State of Montana. Compliance with these terms of probation will be overseen by the United States Probation Service for the District of Montana.

As with previous criminal FECA cases that have involved defendants who wished to achieve a global settlement of both criminal and administrative liability, we have kept your office informed of the circumstances of this case and of the proposed administrative settlement figure we had negotiated, albeit in hypothetical terms. We have also informed this defendant that the Department of Justice lacks authority to speak for the Commission in assessing noncriminal remedies under 2 U.S.C. § 437g(a). The plea agreement we negotiated in this case addresses the possibility that the Commission may decide not to accept the proposed noncriminal fine in the language we have previously used in similar cases. However, we believe that the amount tendered by this defendant to the Commission represents a reasonable and just administrative penalty for the FECA offenses involved in the case. Should the Commission disagree, we request that the enclosed check be returned to us so that we may refund them to the defendants in accordance with the terms of the plea agreements.

Please let me know if we can assist you further in this matter.

Sincerely,



Craig C. Donsanto
Director, Election Crimes Branch
Public Integrity Section

Enclosures

cc: AUSA Bill Mercer
Missoula, Montana

FILED

BILL MERCER
Assistant U.S. Attorney
P.O. Box 8329
Missoula, Montana 59807
(406) 542-1899

APR 24 AM 9:50

LOU ALEKSICH JR. CLERK

BY LEON T. STONE

ATTORNEY FOR THE UNITED STATES

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MONTANA
MISSOULA DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

MSE, INC.,

Defendant.

MCR 00- -M-LBE

INFORMATION

INTRODUCTION

1. At the time of the occurrences of the offenses described in this information, Defendant MSE, Inc. was a corporation organized under the laws of the State of Montana.

2. At the present time, Defendant MSE, Inc. is a corporation organized under the laws of the State of Montana.

3. The Federal Election Campaign Act, Title 2, United States Code, Section 431 et seq. and, in particular, Title 2, United States Code, Section 441b(a) specifically prohibits corporations from making contributions or expenditures in connection with the

1 nomination and election of candidates for federal office. Section 441f prohibits a
2 person from making a contribution in the name of another person or knowingly
3 permitting his or her name to be used to effect such a contribution. The definition of
4 "person" in the Campaign Act includes a corporation.

5 4. When aggregated, the corporate contributions made through conduits in
6 violation of the Federal Election Campaign Act and referred to in this information
7 totaled at least \$2,000 in calendar year 1998.

8 THE CHARGE

9 THE UNITED STATES ATTORNEY CHARGES:

10 COUNT ONE
11 (Illegal Conduit Contributions)

12 1. The allegations contained in paragraphs one through three of the
13 introduction to the information are incorporated herein as if set forth in full.

14 2. On or about August 1998, in the State and District of Montana, MSE,
15 Inc., the defendant herein, knowingly caused itself to make a contribution totalling
16 \$9,750 in the name of thirteen individuals, all of whom were employees of defendant at
17 the time of the offense, to the Missourians for Kit Bond campaign committee, the
18 campaign committee that supported the reelection effort of a United States Senator in
19 the 1998 election cycle, in violation of Title 2, United States Code, Sections 441b(a),
20 441f, and 437g(d).

Dated this 24th of April, 2000.

SHERRY SCHEEL MATTEUCCI
United States Attorney

Frederick

1 BILL MERCER
2 Assistant U.S. Attorney
3 P.O. Box 8329
4 Missoula, Montana 59807
5 (406) 542-1899

6 ATTORNEY FOR THE UNITED STATES

7 IN THE UNITED STATES DISTRICT COURT
8 FOR THE DISTRICT OF MONTANA
9 MISSOULA DIVISION

10 UNITED STATES OF AMERICA,

11 Plaintiff,

12 vs.

13 MSE, INC.,

14 Defendant.

MCR 00- -M-LBE

PLEA AGREEMENT

15 Pursuant to Rule 11 of the Federal Rules of Criminal Procedure, the United
16 States of America, by its undersigned counsel, and the Defendant, MSE, Inc.,
17 appearing through its designated representative, ^{John D. C.} ~~Harold~~ S. Cote, Chairman of the Board
18 of Directors, and its attorney, Milton Datsopoulos, have agreed upon the following:

19 1. The Defendant, through its designated representative, acknowledges that
20 it has been charged in the Information in this case with a violation of 2 U.S.C. § 441f
21 and 2 U.S.C. § 437g(d).

22 2. The Defendant, through its designated representatives, acknowledges
23

COPY

1 that it has a right to trial, judgment, and sentencing on the charges set forth in the
2 Information by a United States District Judge. However, it makes a knowing waiver of
3 that right after conferring with its counsel and wishes to proceed before the Honorable
4 Leif B. Erickson, United States Magistrate Judge.

3. The Defendant, through its designated representative, acknowledges by the signature of its designated representatives below that the decisionmaker(s) of the corporation have read the Plea Agreement and understand the terms and conditions and the factual basis set forth herein, which have been discussed with the Defendant's attorney, and that the matters set forth in the Memorandum, including those facts which support a plea of guilty, are true and correct. Specifically, the execution of this plea agreement has been expressly authorized by the Defendant's board of directors, and a copy of such resolution is attached hereto. The Defendant represents that no approval or authorization by any other person or entity is required for the plea agreement to be binding upon it.

15 4. The Defendant will plead guilty to a one count Information charging it with
16 unlawfully causing the name of a person to be used in connection with the making of a
17 campaign contribution, a misdemeanor, in violation of 2 U.S.C. §§ 441b(a), 441f and
18 437g(d).

19 5. The Defendant understands the maximum penalty for violating 2 U.S.C.
20 §§ 441f and 437g(d) is a fine of not more than two-hundred thousand dollars
21 (\$200,000.00) pursuant to 18 U.S.C. § 3571(c)(5), a term of probation not to exceed
22 five years pursuant to 18 U.S.C. § 3561(c)(2), and a special assessment of one

1 hundred twenty-five dollars (\$125.00) for each violation set forth in a count.

2 6. The Defendant understands that by pleading guilty, It surrenders certain
3 rights, including the following:

4 (A) If the Defendant persisted in a plea of not guilty to the charges
5 against it, It would have the right to a public and speedy trial. The trial could be either
6 a jury trial or a trial by the judge sitting without a jury.

7 (B) If the trial is a jury trial, the jury would be composed of twelve
8 laypersons selected at random. The Defendant and its attorney would have a say in
9 who the jurors would be by removing prospective jurors for cause where actual bias or
10 other disqualification is shown, or without cause by exercising so-called peremptory
11 challenges. The jury would have to agree unanimously before it could return a verdict
12 of either guilty or not guilty. The jury would be instructed that the Defendant is
13 presumed innocent, and that it could not convict it unless, after hearing all the
14 evidence, it was persuaded of the Defendant's guilt beyond a reasonable doubt.

15 (C) If the trial is held by the judge without a jury, the Judge would find
16 the facts and determine, after hearing all the evidence, whether or not he was
17 persuaded of the Defendant's guilt beyond a reasonable doubt.

18 (D) At a trial, whether by a jury or a judge, the United States would be
19 required to present its witnesses and other evidence against the Defendant. The
20 Defendant would be able to confront those witnesses called by the United States, and
21 its attorney would be able to cross-examine them. In turn, the Defendant could present
22 witnesses and other evidence in its own behalf. If the witnesses for the Defendant

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1 would be travelling in the northwest in August 1998. Bond is a member of the
2 Appropriations Committee and the chairman of the committee's Veterans
3 Administration, Housing and Urban Development, and Independent Agencies
4 Subcommittee. In 1998, Bond was running for reelection to the U.S. Senate.
5 Representatives of MSE thought Bond should be invited to Butte to visit the
6 defendant's facilities. Senator Bond made a commitment to visit Butte and MSE in
7 August 1998. At some point soon thereafter, Peoples announced Bond's upcoming
8 visit at his monthly executive staff meeting. At the meeting, it was determined that
9 "community incentive awards" should be distributed to thirteen MSE executives. \$750
10 payments were distributed to thirteen MSE employees on August 6, 1998. MSE had
11 distributed "community incentive awards" to a comparable group of executive
12 employees in 1996 and 1998, although the amounts in those years were less than half
13 than the amounts awarded in August 1998. At approximately the same time, Peoples
14 sent out an invitation to individuals in the Butte area, including the aforementioned
15 recipients of the community incentive awards, to attend a luncheon with Senator Bond.
16 The invitation suggested \$500 to \$1,000 as the appropriate range for contributions to
17 the Bond reelection campaign. Based upon encouragement from MSE officials, twelve
18 of the thirteen MSE employees who had received the \$750 awards contributed \$750 to
19 the Missourians for Kit Bond campaign committee in August 1998, except one who
20 donated \$1000. As a result of MSE's conduct, the Missourians for Kit Bond campaign
21 committee unwittingly and incorrectly reported as individual contributions what were, in
22 fact, \$9,750 in corporate contributions funneled through conduits. Such conduct on the
23

1 | the part of the Defendant MSE constitutes a knowing and willful violation of FECA.

11. The parties agree that this Plea Agreement shall be filed and become a part of the record in this case, and will be governed by Federal Rule of Criminal Procedure 11(e)(1)(C), as amended effective December 1, 1999.

5 12. Pursuant to the aforementioned rule, the parties agree that the following
6 specific sentence is the appropriate disposition of this case:

7 In regard to the application of guideline sentencing for the offense(s) to which
8 the Defendant MSE will plead guilty, it is stipulated and agreed by the parties hereto
9 that the United States Sentencing Guidelines apply to this case but that under U.S.S.G.
10 § 2X5.1 there is no analogous Sentencing Guideline to the crimes charged in the
11 Information. Accordingly, the parties agree that it is appropriate for this case to be
12 disposed of pursuant to 18 U.S.C. § 3553(b), which allows the court to determine a
13 sentence in light of the factors articulated in section 3553(a)(2) and sentences
14 prescribed by the Sentencing Guidelines applicable to similar offenses and offenders
15 and to the applicable policy statements of the Sentencing Commission.

16 In consideration of the forgoing, the parties agree that the Defendant should be
17 sentenced to:

18 (1) a two-year term of supervised probation, subject to the standard condition
19 that the Defendant not commit another federal, state, or local crime during the period of
20 probation;

21 (2) a fine in the amount of \$97,500.00, which shall be paid by check on the date
22 of sentencing;

1 (3) the special assessment of \$125.00, which shall be paid at sentencing; and
2 (4) pursuant to 18 U.S.C. § 3563(b)(12), two-hundred hours of community
3 service which shall be completed within the first twenty-two months of the Defendant's
4 term of probation.

5 In addition, to demonstrate acceptance of responsibility for its criminal conduct,
6 the Defendant MSE agrees that the four members of the company's executive
7 committee will equally divide the two-hundred hour community service requirement and
8 fulfill it by discussing federal campaign finance law as it pertains to corporations to (1)
9 undergraduate and graduate students in business administration during regularly
10 scheduled classes at institutions of higher education in the state of Montana,
11 (2) conventions in Montana of trade associations or other business associations, (3)
12 law students during regularly scheduled classes at the University of Montana, (4)
13 Montana-based firms serving as contractors to the United States Government, and (5)
14 service clubs in the state of Montana. The U.S. Probation Office and the undersigned
15 Assistant U.S. Attorney, the U.S. Department of Justice's point of contact for violations
16 of the federal election law, will be given advanced notice of each speaking engagement
17 in the event a joint appearance can be made. Only the actual time of the session,
18 lecture, luncheon, or class will count toward the community service obligation and
19 travel time, preparation time, etc. will not reduce the balance of the community service
20 commitment. All costs incurred as a result of the community service program will be
21 borne by the Defendant MSE.

22 13. In addition, during its probationary term and as part of its probation, the
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1 Defendant shall promptly adopt and implement a corporate compliance program, which
2 is memorialized in writing in a document attached to this pleading. The Defendant's
3 agents shall take reasonable steps to ensure that the defendant and its subsidiaries,
4 directors, officers, and employees are in full compliance with this program. The
5 Defendant shall submit annual reports to the court regarding the operation of the
6 compliance program, which shall include full disclosure of any alleged violations of the
7 campaign financing laws.

8 The Defendant MSE shall make quarterly reports to the United States Attorney
9 regarding its compliance with the terms of this Agreement.

10 14. The terms of probation referenced in this plea agreement will be
11 overseen by the United States Probation Office for the District of Montana.

12 15. Understanding that 18 U.S.C. § 3742 provides for appeal by a defendant
13 of its sentence under certain circumstances, the Defendant knowingly and expressly
14 waives its right to appeal any sentence that is consistent with that stated in paragraph 3
15 above, as contemplated by the amendments to Rule 11(c)(6) of the Federal Rules of
16 Criminal Procedure, effective December 1, 1999, in exchange for the concessions
17 made by the United States in the instant plea agreement. The Defendant reserves only
18 the right to appeal any sentence imposed to the extent, but only to the extent, that the
19 sentence is greater than that agreed to by the parties in paragraph 12, *supra*.

20 16. The United States agrees not to prosecute the Defendant or any of its
21 current or former subsidiaries, directors, officers, employees, or agents, including their
22 predecessors and successors for any additional federal criminal violations relating to
23 campaign financing that are based upon the facts stated in paragraph 10, *supra*, of this

1 plea agreement. However, should the Defendant fail to enter its plea of guilty in this
2 case, seek to withdraw its plea, fail to perform two hundred hours of community service,
3 fail to pay the \$97,500 fine, or fail to adopt and fully implement the corporate
4 compliance program, the United States would be released from its commitment to
5 honor all of its obligations to the Defendant. The United States would not be precluded
6 from prosecuting MSE, Inc. and any of its employees, agents, officers, and board
7 members for any and all crimes.

8 17. The Defendant wishes to resolve its civil and administrative liabilities with
9 the Federal Election Commission (FEC) in conjunction with the resolution of its criminal
10 liability in this matter. Accordingly, to the extent that the civil and administrative
11 liabilities can be resolved in conjunction with the Defendant's criminal liability, the
12 parties agree to the following:

13 A. The Defendant MSE, Incorporated, admits that its conduct
14 represented a knowing and willful violation of 2 U.S.C. §§ 441b(a) and 411f of FECA. It
15 further recognizes that the Federal Election Commission (FEC) has exclusive authority
16 to seek and impose administrative and civil penalties for those violations pursuant to 2
17 U.S.C. §§ 437g(a)(5) and 437d(e); and it further recognizes that the United States
18 Department of Justice lacks authority under FECA to bind or otherwise to limit FEC in
19 the imposition of administrative and civil penalties for offenses arising under FECA.

20 B. The Defendant agrees to submit to the FEC's jurisdiction, to
21 cooperate with the FEC in its compliance proceeding against it, including waiving FEC
22 notification procedures to which it may be entitled, all evidentiary privileges, and any
23

1 statute of limitations which may be applicable to FEC compliance proceedings, and to
2 enter into a conciliation agreement with the FEC and to pay whatever civil penalty the
3 FEC deems appropriate pursuant to the provisions of 2 U.S.C. § 437g(a)(5). The
4 United States and the Defendant have agreed that an administrative and civil fine of
5 \$19,500 would be an appropriate civil disposition of this matter before the FEC in view
6 of the charged conduct and the conditions of this plea agreement. However, the
7 Defendant has been advised and understands that this part of the plea agreement is
8 not binding on the FEC.

9 C. The Defendant agrees to tender a check for \$19,500 made payable
10 to the FEC at the time this agreement is executed. The undersigned representatives of
11 the U.S. Department of Justice agree to forward this check to the FEC, along with a
12 copy of this agreement and the Department's recommendation that the tendered sum
13 be accepted by the Commission as a suitable disposition of the Defendant's civil and
14 administrative liability under 2 U.S.C. § 437g(a)(5). In the event that the FEC should
15 refuse to accept this sum as an appropriate non-criminal remedy for the FECA
16 violations admitted in this agreement, the check will be returned to the Defendant and
17 the issue regarding the appropriate civil remedy will be left to the Defendant and the
18 FEC to resolve as if no attempt had been made by the Department of Justice to assist
19 with the resolution of this matter.

20 D. The parties enter into this plea agreement with full knowledge that
21 the FEC's ultimate decision on whether to accept the recommendation of the
22 Department of Justice that \$19,500 should resolve any outstanding civil and
23

1 administrative liability has no effect on the agreement of the signatories to this
2 agreement regarding resolution of the criminal charges brought by the United States
3 against MSE, Inc.

4 18. The Defendant MSE, through its designated representative, its attorney,
5 and the attorneys for the United States acknowledge that this Plea Agreement is the
6 entire agreement negotiated by and agreed to by and between the parties. Any term or
7 condition which is not expressly stated or referred to as part of this Plea Agreement is
8 not to be considered part of the agreement.

9 19. The Defendant and its attorney acknowledge that no threats, promises or
10 representations have been made, nor agreements reached, other than those set forth
11 in this agreement, to induce the Defendant to plead guilty.

12 20. The Defendant recognizes that it will be responsible for a mandatory
13 assessment of \$125 on the one-count Information pursuant to Title 18 U.S.C. § 3013 of
14 the Comprehensive Criminal Control Act and pledges to pay the special assessment
15 when it is sentenced.

16 21. The parties agree, pursuant to Rule 32(b)(1)(A) of the Federal Rules of
17 Criminal Procedure, that a presentence investigation and report is not required in this
18 case and that the court may impose the agreed-upon sentence at the time the guilty
19 plea is entered and this plea agreement is accepted.

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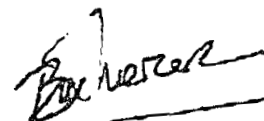
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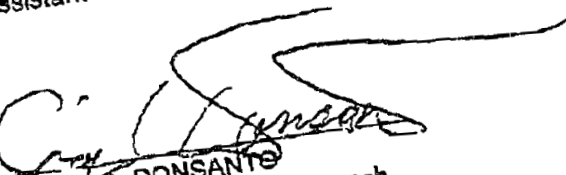
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DATED this 14th day of April, 2000.

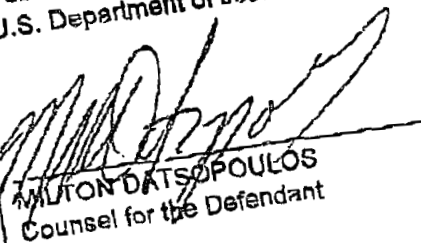
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3 SHERRY SCHEEL MATTEUCCI
4 United States Attorney

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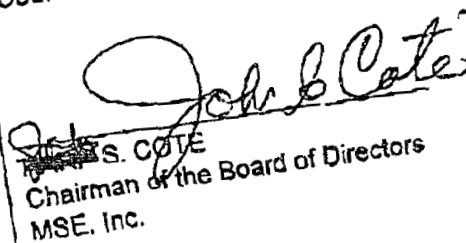
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7 BILL MERCER
8 Assistant U.S. Attorney

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10 CRAIG C. DON SANTO
11 Director, Election Crimes Branch
12 Public Integrity Section
13 U.S. Department of Justice

14 

15 MILTON DATSOPOULOS
16 Counsel for the Defendant

17 

18 JOHN S. COTE
19 Chairman of the Board of Directors
20 MSE, Inc.

CORPORATE POLITICAL ACTIVITY
AND CONTRIBUTION COMPLIANCE PROGRAM
OF MSE, INC.

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PREAMBLE

MSE intends to be a good citizen in the communities in which it does business and MSE encourages its employees, officers, and directors to be good citizens. MSE is committed to compliance with all applicable laws and regulations in the conduct of its business.

One key aspect of citizenship in a democracy is active participation in the political process. Like all corporations, MSE is prohibited from contributing to candidates running for federal or state office. However, this does not prohibit MSE's employees from contributing to candidates, political parties, or other political causes as long as it is of the employees free will and not coerced or the basis of compensation or reimbursement, or other preferential treatment. It is important to note the significant differences between federal election law and state election law.

INTRODUCTION

This manual is designed to provide compliance guidance for both the federal election laws and state election laws for MSE employees.

Although this document provides an overview of the applicable laws and the regulations and opinions which have been promulgated to assist in applying the state and federal election law, this is not a substitute for consultation to the law and regulations on a case-by-case basis, as well as consultation, when necessary, with legal counsel knowledgeable about election activity. In addition, citations to FEC regulations and FEC advisory opinions and Montana law definitions have been provided in footnotes and may be consulted for more detailed analysis. This Guide does not address the requirements for recordkeeping and filings.

MSE has established an Ethics Compliance Committee which is responsible for (1) maintaining and updating the corporate political activity compliance program, and (2) overseeing compliance with this program. The members of this committee, listed on page 15, are available to all MSE employees to ensure the MSE commitment to comply with all applicable laws and regulations in this area.

CHAPTER I

GENERAL PRINCIPLES

Politics is a heavily regulated area of activity. In recent years, legislation at federal, state and local levels have imposed limitations on who can contribute to political campaigns and what amounts may be contributed. Since each jurisdiction has its own rules, care must be taken to assure contributions are proper. This chapter will address certain principles generally applicable in most or all jurisdictions.

In some jurisdictions, there may be exceptions to the following. Absent a legal opinion, MSE will assume the following rules apply.

A. CONTRIBUTIONS

1. MSE, Inc. may not make contributions to candidates for federal office (i.e., the President of the United States or the position of United States Senator or Representative).
2. MSE, Inc. cannot provide money to its employees in order for the employee to make a contribution which the corporation would be precluded from doing.
3. A contribution is, generally, anything of value given to influence an election. Assume any contributions must be reported by the recipient.
4. In addition to cash contributions, it will include "in kind" contributions, such as free or reduced real or office space, a loan of equipment, provisions of food for a political event, or use of office facilities for a phone bank or the like. "In kind" contributions must be valued at their fair market value which may be more than the actual cost.
5. A loan is considered a contribution. Note that loans are subject to the applicable contribution limit.
6. A guarantee of a loan to a party, committee or candidate is a contribution.
7. Any account receivable not expected to be repaid or a write-off of an account receivable as a bad debt may be a contribution. Before taking any action to agree to non-collection, to defer collection on other than normal business terms (including interest) or to write off the loan, confer with legal counsel.

B. DISCLOSURE PRINCIPLES

1. All contributions must be disclosed by the candidate or committee in public filings and must disclose the name, address and employer of the contributor. (Some small contributions may not need to be reported, but donors should assume contributions will be disclosed.)
2. Recipients must report the names of the true donor. Contributions may not be given through third parties in a way to conceal the true donor. For example, MSE, Inc. may not give money to an employee in order for the employee to make a campaign contribution from which the corporation would be precluded.
3. Individuals may not be reimbursed by MSE or any other organization for contributions.
4. Payment for services rendered by others to a political committee or candidate is a contribution.¹
5. The sale of goods or services to a political committee or candidate at a price below the usual and normal charge is a contribution.²
6. The extension of credit to a political committee or candidate for a longer period of time than is normally practiced in the trade is a contribution.³
7. Contributions may not be solicited through use of physical force, job discrimination or financial reprisal. Contributions may not be a factor in compensation decisions, job advancements, or hiring or firing. Any person who believes this policy is being violated should immediately report their belief to the Ethics Compliance officer, the ombudsman, or other members of the Ethics Compliance Committee. See Procedure for Reporting Possible Violations, Ch. VI.

¹See 11 C.F.R. § 100.7(a)(3). A corporation may provide a party committee with free legal or accounting services if the person rendering the services is a regular employee of the corporation and if the activity is not in furtherance of the election of any candidate. See 11 C.F.R. § 100.7(b)(13). Free legal and accounting service may also be provided to a candidate committee for the limited purpose of helping the committee comply with the Act and FEC regulations. See 11 C.F.R. § 100.79(b)(14).

²See 11 C.F.R. § 100.7(a)(1)(iii)(A). A reduced price is not considered a prohibited discount however if it is offered by the vendor as a regular business practice to political and nonpolitical clients alike. See FEC Advisory Opinion 1989-14.

³See 11 C.F.R. § 100.7(a)(4).

CHAPTER II

CORPORATE POLITICAL ACTIVITY (FEDERAL)

MSE may involve itself in politics in several other ways. The compliance standards for these uses will be discussed below.

A. PARTISAN COMMUNICATIONS COMPLIANCE STANDARDS

1. MSE may use its general treasury funds to make partisan communications to its executive and administrative personnel, stockholders, and their families (the restricted class).⁴ The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to using general treasury funds for partisan communications.

2. MSE may invite candidates, their representatives, or a representative of a political party to address MSE's restricted class at a meeting, convention or other function of the organization.⁵

3. MSE may produce and distribute publications of a partisan nature to its restricted class so long as the material conveys the views of MSE and is not a republication, in whole or in part, of a candidate's material.⁶ The FEC regulations, legal counsel and the Ethics Compliance officer must be consulted prior to preparing such a publication.

4. MSE may set up a phone bank to urge its restricted class to register to vote, to vote for particular candidates, or to register with a particular political party.⁷ The FEC regulations, legal counsel and the Ethics Compliance officer must be consulted prior to preparing such a publication.

⁴See 11 C.F.R. § 114.3(a). The communication may contain express advocacy. See 11 C.F.R. § 114.3(a).

⁵See 11 C.F.R. § 114.3(c)(2). Certain individuals outside of the restricted class may be present including employees who are necessary to administer the meeting, news media, and guests who are being honored, or are speaking or participating in the event. See 11 C.F.R. § 114.3(c)(2)(i). Incidental solicitation of these persons is permissible. See 11 C.F.R. § 114.3(c)(2)(ii).

⁶See 11 C.F.R. § 114.3(c)(1): A corporation may use brief quotes from speeches or other candidate-prepared material. See 11 C.F.R. § 114.3(c)(1)(ii).

⁷See 11 C.F.R. § 114.3(c)(3).

5. MSE may conduct partisan voter drives and get-out-the-vote drives aimed only at its restricted class and individuals may be urged to register with a particular party or to vote for a particular candidate.⁹ The drive may include transporting voters to the polls.⁹

6. MSE must report to the FEC the costs of communication which expressly advocate the election or defeat of a clearly identified candidate if the costs aggregate over \$2,000 per election.¹⁰ The \$2,000 threshold applies separately to the parent organization (MSE) and each subordinate organization under the parent.¹¹

B. Nonpartisan Communications Compliance Standards

MSE may also use its treasury funds for nonpartisan communication, which may be directed, in certain cases set out below, to the general public.¹² The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior making any communications to the general public.

1. MSE may make voter registration and get-out-the-vote communications to the general public, provided that the communications do not expressly advocate the election or defeat of any clearly-identified candidates or candidates of a clearly identified political party, and that the communications are not coordinated with any candidate or political party.¹³ The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to making any voter registration or get-out-the-vote communications to the general public.

2. MSE may distribute to the general public certain registration and

⁹See 11 C.F.R. § 114.3(c)(4). Any transportation or other assistance offered may not be withheld or refused on the basis of support for or opposition to particular candidates or a particular political party. See 11 C.F.R. § 114.3(c)(4).

⁹See 11 C.F.R. § 114.3(c)(4).

¹⁰See 11 C.F.R. §§ 100.8(b)(4); 104.6.

¹¹See 11 C.F.R. § 100.8(b)(4)(vi).

¹²See 11 C.F.R. § 114.4(c).

¹³See 11 C.F.R. § 114.4(c)(2). The communications can be through posters, billboards, broadcasting media, newspapers, brochures or other similar means. See 11 C.F.R. § 114.4(c)(2).

voting information.¹⁴ The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to distributing any registration and voting information to the general public.

3. MSE may prepare and distribute to the general public the voting records of Members of Congress.¹⁵ The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to preparing and distributing any voting records to the general public.

4. MSE may, in limited circumstances, prepare and distribute to the general public voter guides consisting of two or more candidates' positions on campaign issues.¹⁶ The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to preparing and distributing any voter guides to the general public.

5. MSE may endorse a candidate and may publicly announce the endorsement and the reasons therefore.¹⁷ The FEC regulations, legal counsel, and the

¹⁴See 11 C.F.R. § 114.4(c)(3). The information distributed may not expressly advocate the election or defeat of any clearly-identified candidate or candidates of a clearly-identified political party or encourage registration with any particular political party. See 11 C.F.R. § 114.4(c)(3)(iv). The production or distribution of the information may not be coordinated with any candidate or political party. See 11 C.F.R. § 114.4(c)(3)(v).

¹⁵See 11 C.F.R. § 114.4(c)(4). The Voting records and any accompanying communications may not expressly advocate the election or defeat of any clearly identified candidate or candidates of a clearly-identified political party. See 11 C.F.R. § 114.4(c)(4). The content and distribution of the information may not be coordinated with any candidate, group of candidates, or political party. See 11 C.F.R. § 114.4(c)(4).

¹⁶See 11 C.F.R. § 114.4(c)(5).

¹⁷See 11 C.F.R. § 114.4(c)(6). Communication of the endorsement to the general public may be through a press release or press conference distributed only to the news media that MSE customarily contacts for non-political press releases or press conferences. See 11 C.F.R. § 114.4(c)(6)(i). The public announcement may not be coordinated with the candidate, the candidate's agents, or the candidate's authorized Committees. See 11 C.F.R. § 114.4(c)(6)(ii). A candidate endorsement may be communicated to the restricted class through publications or candidate appearances in accordance with 11 C.F.R. § 114.3. However, MSE must ensure that no more than a de minimis number of copies of the publication including the endorsement may be distributed beyond the restricted class. See 11 C.F.R. § 114.4(c)(6).

Ethics Compliance officer must be consulted prior to communicating the endorsement of any candidate to the restricted class or the general public.

6. MSE may support or conduct a non-partisan, voter registration or get-out-the-vote drives if done in accordance with the restrictions contained in the FEC regulations.¹⁸ The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to supporting or conducting any registration or get-out-the-vote drives.

C. Other Uses of Treasury Funds Compliance Standards

1. MSE may also use its treasury funds for other activities affecting the federal political process. FEC guidelines, legal counsel, and the Ethics Compliance officer must be consulted in advance of such uses.

2. MSE may offer free legal and accounting services to candidate committees, party committees and other political committees. The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to offering such services.¹⁹

3. In some states, MSE may make donations to non-federal candidates and to non-federal political committees. Legal counsel and the Ethics Compliance officer must review applicable state law prior to any contribution.

D. Use of Facilities Compliance Standards

1. No use of MSE's corporate facilities in relation to any federal election shall be made without advance written approval of the Vice President, Community Relations. Any possible violation of this compliance standard or of the Act or the FEC regulations should be immediately reported to the Ethics Compliance officer, the ombudsman or other members of the Ethics Compliance Committee. See

¹⁸See 11 C.F.R. § 114.4(d). Registration and get-out-the-vote drives include providing transportation to the polls or place of registration. See 11 C.F.R. § 114.4(d).

¹⁹See 11 C.F.R. §§ 114.1(a)(2)(vi) and (vii) Because recipient committees must report the value of donated legal and accounting services, the corporation should provide committees with the following information: the cost, of the services, the date they were performed and the name of the individual performing them. See 11 C.F.R. § 104.3(h).

Procedure for Reporting Possible Violation, Section VII.

2. Provided that the requirements for advance clearance contained in paragraph 1 of this section are met, MSE may allow candidates, political committees and individuals to use its facilities in connection with a federal election. Although some of the rules concerning this usage are discussed below, the FEC regulations and, if necessary, legal counsel and the Ethics Compliance officer should be consulted before making use of the facilities.

3. Provided that the requirements for advance clearance contained in paragraph 1 of this section are met, employees, stockholders and non-corporate members of MSE may make "incidental use" of MSE's facilities for individual volunteer activities in connection with federal elections.²⁰ For example, an employee may use his or her office phone to make calls that pertain to political volunteer work. When use of facilities is "incidental," the individual is only required to reimburse the organization for any increased overhead or operating expenses relating to the activity.²¹

4. Provided that the requirements for advance clearance contained in paragraph 1 of this section are met, a person other than an employee, stockholder or member may use facilities of MSE, but the user must reimburse MSE within a commercially reasonable time and at the usual and normal charge for rental of the facilities.²² Facilities used for these purposes might include office space, telephones, computers, typewriters, copy machines and furniture.

5. Provided that the requirements for advance clearance contained in paragraph 1 of this section are met, individuals, including employees, stockholders and members, may use MSE's facilities and equipment to produce materials for use in federal election activities, as long as MSE is reimbursed at the usual and normal charge

²⁰"Incidental use" of facilities means that the use does not interfere with the organization's normal activity. One hour per week or four hours per month are considered "incidental." See 11 C.F.R. §§ 114.9(a) and (b), facilities for individual volunteer activities in connection with federal elections.

²¹When "incidental use" is exceeded, the individual must reimburse the corporation or labor organization for the cost of using the facility. The usual or normal rental fee must be paid within a reasonable time. See 11 C.F.R. § 114.9(a) and (b). See also FEC Advisory Opinion 1985-26.

²²See 11 C.F.R. § 114.9(d).

for that usage.²³

6. Provided that the requirements for advance clearance contained in paragraph 1 of this section are met, a candidate (or someone traveling on his or her behalf) may use an airplane owned or leased by MSE that is not licensed to offer commercial service (i.e., that is not an "air carrier" under the Federal Aviation Administration rules).²⁴ The FEC regulations, legal counsel, and the Ethics Compliance officer must be consulted prior to such uses and for the proper payment for the use of the airplane.

7. Provided that the requirements for advance clearance contained in paragraph 1 of this section are met, a candidate's campaign may use other means of transportation owned or leased by MSE, as long as the campaign reimburses MSE within a commercially reasonable time and at the usual rental charge.²⁵

²³See 11 C.F.R. § 114.9(c). The payment must be made within a commercially reasonable time (usually, within 30 days) after the facilities been provided.

²⁴See 11 C.F.R. § 114.9(e)(1). The user must pay the organization in advance of the trip according to the following rules: (a) in the case of travel to a city served by commercial air service, the candidate's campaign must pay the organization the first class air fare rate; (b) in the case of travel to a city not served by regular commercial service, the campaign must pay the organization at the usual charter rate.

²⁵See 11 C.F.R. § 114.9(e)(2).

CHAPTER III

CORPORATE POLITICAL ACTIVITY (MONTANA)

NOTE: This chapter has been prepared to address Montana law. There should be no presumption that it applies to other states. Supplements for other states may be prepared, but legal counsel should be consulted before any cash or in-kind corporate contributions are made.

A. Contributions

1. Corporations may not make political contributions for non-federal elections in Montana.

13-35-227(1)(a), M.C.A. states: "A corporation may not make a contribution or an expenditure in connection with a candidate ... or a political committee that supports or opposes a candidate ... or a political party."

B. Other Unlawful Acts of Employers and Employees

1. 13-35-226, M.C.A. states: "It is unlawful for any employer, in paying employees the salary or wages due them to include with their pay the name of any candidate or any political mottoes, devices, or arguments containing threats or promises, express or implied calculated or intended to influence the political opinions or actions of the employees. It is unlawful for an employer to exhibit in a place where the employer's workers or employees may be working any handbill or placard containing any threat, promise, notice, or information that, in case any particular ticket or political party, organization, or candidate is elected, works in the employer's place or establishment will cease, in whole or in part, or will be continued or increased; the employer's place or establishment will be closed, the salaries or wages of the workers or employees will be reduced or increased or other threats or promises, express or implied, intended or calculated to influence the political opinions or actions of the employer's workers or employees." This section applies to corporations, individuals, and public officers and employees.

2. 13-35-228, M.C.A. states: "A corporation may not increase the salary of any officer or employee or give an emolument to any officer, employee, or other person with the intention that the increase in salary, the emolument, or any part thereof be contributed to support or oppose a candidate or ballot issue."

CHAPTER IV

INDIVIDUAL CONTRIBUTIONS (MONTANA)

A. Contributions

1. Employees, Officers, and Directors of MSE may freely choose to make contributions of their own money to candidates, political parties or other political committees.
2. No contribution may be reimbursed by MSE or any of its related entities.
3. All contributions must be voluntary. See Chapter 1, § B.7.
4. Contributions may be cash or in-kind. See Chapter 1 for a discussion of the different kinds of contributions.

NOTE: "per election" means that the amount may be contributed to a candidate for the primary election and also for the general election.

B. Contribution Limitations

1. Individual contribution limits are as follows:
 - To federal campaigns - \$1,000 per election.²⁶
 - To Montana State statewide campaign candidates jointly filed governor and lieutenant governor - \$400 per election.²⁷
 - To candidates in other statewide elections for state office - \$200

²⁶There is also a federal aggregate limit of \$25,000 per year. Note that contributions to a federal candidate are counted against the year the election is held, not the year the contribution is made. Contributions to state and local candidates do not count against the \$25,000 limit.

²⁷13-37-218(1)(a)(i), M.C.A.

per election.²⁸

•To candidates for any other state office - \$100 per election²⁹.

2. Other limitations on contributions

•Anonymous contributions are illegal in Montana.

Contribution limits include both monetary and in-kind contributions. See 44.10.321(2), A.R.M. and 44.10.533, A.R.M. In-kind contributions include goods and services for which charges are usually made but which are rendered to a candidate free of charge or at a lesser amount than is customary. However, some things are not included in the legal definition of contribution. For instance, any services provided by individuals who volunteer their time without compensation are not included. 13-1-101(6)(b), M.C.A.

3. Other Criminal Violations

Bribery in official and political matters. (1) A person commits the offense of bribery if he purposely or knowingly offers, confers, or agrees to confer upon another or solicits, accepts, or agrees to accept from another; (a) any pecuniary benefit as a consideration for the recipient's decision, opinion, recommendation, vote or other exercise of discretion as a public servant, party official, or voter; (b) any benefit as consideration for the recipient's decision, vote, recommendation, or other exercise of official discretion in a judicial or administrative proceeding; or (c) any benefit as consideration for a violation of a known duty as a public servant or party official. It is no defense to prosecution under this section that a person whom the offender sought to influence was not qualified to act in the desired way whether because he had not yet assumed office or lacked jurisdiction or for any other reason. 45-7-101, M.C.A.

²⁸13-37-216(1)(a)(ii), M.C.A.

²⁹13-37-216(1)(a)(iii), M.C.A.

CHAPTER V

PROCEDURE FOR REPORTING POSSIBLE VIOLATION

If any individual believes that any action of MSE, or any individual, employee, stockholder, director or any other person or entity associated in any manner with MSE, possibly violates the Act, the FEC regulations or these compliance standards, the possible violation must immediately be reported to the Ethics Compliance Committee in the following manner:

1. A written report of all of the acts which are known by the reporting individual concerning the possible violation should be submitted immediately to the Ethics Compliance officer, the ombudsman or other members of the Ethics Compliance Committee. Any report made shall be treated as confidential and shall be retained only in the records of the MSE Ethics Compliance Committee.
2. The reporting individual should fully cooperate with any investigative effort concerning the possible violation.
3. The Ethics Compliance Committee and/or the ombudsman shall conduct an investigation of all reports submitted concerning possible violations. As soon as it is practicable after a report is filed. The written report as to each possible violation must state (a) the factual background of the possible violation; (b) the investigative efforts by the Ethics Compliance Committee or the ombudsman; and (c) the investigation's conclusions. This report shall be treated as confidential and as attorney-work product material.
4. As a part of the investigation of a possible violation, counsel may seek an advisory opinion from the FEC concerning any conduct.
5. If the investigation reveals that a violation occurred, MSE should (a) make its best efforts to comply with the applicable provision which may have been violated, and (b) review the procedures which led to the possible violation to determine if modification of the compliance standards is needed.
6. MSE shall immediately discipline (up to and including dismissal) any employee, officer or director whose conduct violates applicable laws, regulations or the corporate political activity compliance program.

LIST OF MEMBERS
OF THE
ETHICS COMPLIANCE COMMITTEE

Christopher J. Gallus
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Missoula, MT 59807

Dr. Maureen Fleming
Professor/Internship Director
Department of Management
School of Business Administration
University of Montana
Missoula, MT

Allan D. Miller
Senior Engineer
MSE, Inc.
Butte, MT

Roy P. Holman
1106 West Mercury Street
Butte, MT 59701

ETHICS COMPLIANCE COMMITTEE

MSE has established an Ethics Compliance Committee ("Committee"). The Committee shall consist of an attorney, an individual of appropriate independence from the company and personal integrity (the "ombudsman"), and such other members as the Chairman of the Board shall deem appropriate, provided that no person directly involved in any improper activities under investigation may serve on the Committee.

The Committee will be responsible for:

(1) redesigning, maintaining and updating the Corporate Political Activity Compliance Program ("Program"); and (2) overseeing compliance with the Program.

The Committee or a designated member of the Committee will review all political involvement of MSE employees and any use of MSE facilities by any political candidate or organization.

ETHICS COMPLIANCE OFFICER

Within thirty (30) days after the Effective Date hereof, MSE shall appoint an Ethics Compliance Officer who shall be responsible for (1) supervising and monitoring compliance with the Program, and (2) implementing the Program. The Ethics Compliance officer will serve as an ex officio member of the Committee.

The Ethics Compliance Officer shall provide assistance, as necessary, to the Committee. The Ethics Compliance Officer also shall be responsible for fielding reports by employees of impropriety in connection with contributing to campaigns and engaging in political activity and for investigating each such report of impropriety. The Ethics Compliance Officer shall be responsible directly to the Committee.

CORPORATE CODE OF CONDUCT AND COMPLIANCE POLICY

- A. MSE shall revise, institute and further implement the Corporate Political Activity Compliance Program (see attached). The Committee will revise the Program and submit it for approval by MSE's Board of Directors within thirty (30) days from the Effective Date hereof.
- B. The Corporate Compliance Program includes:
 - 1. A statement of MSE's commitment to comply with all applicable laws and regulations in the conduct of its business;
 - 2. Guidelines for MSE's employees to follow in any political activity that

relates in any manner to MSE;

3. A notice that MSE shall immediately discipline, up to and including dismissal, any employee, officer, or director whose conduct violates applicable laws, regulations or the Program;
 4. A requirement that employees report to their supervisors, the ombudsman or the Ethics Compliance Officer any impropriety of which they have knowledge.
- C. A copy of the Program approved by the MSE Board of Directors will be distributed to each of MSE's directors, officers, manager and each employee within 30 days from the Effective Date hereof. A copy of the Program shall also be distributed to each consultant, lobbyist, or other person employed or retained by MSE who deals with any candidate or elected official.

EDUCATION PROGRAMS

- A. The Ethics Compliance Committee shall conduct an annual seminar for MSE's directors and officers ("Directors and Officers Seminar"). Outside counsel shall also participate in conducting the seminar. All directors and officers (Vice President and above) shall be required to attend the Directors and Officers Seminar which shall be held not later than 60 days after the Effective Date hereof. Each person attending the Directors and Officers Seminar shall sign a certification that he or she understands the materials and information presented during the training program and agrees to comply with it. New directors and officers will receive training sufficient to cover the matters addressed in the Directors and Officers Seminar.
- B. The Ethics Compliance Committee shall formulate and cause to be implemented an annual special training program (including a training manual, a video presentation, or live classes) to educate its directors, officers, and senior managers on the applicable laws, regulations and standards of business conduct that such persons are expected to follow and the consequences both to the individual and MSE that could result from any violations of laws or MSE's policies ("Special Training Program"). The Special Training Program shall further be designed to ensure that MSE's directors, officers and senior managers are aware of the federal statutes and other prohibitions against illegal payments and to instruct them on how to identify, detect and report errors, irregularities and possible illegal acts.
- C. The Ethics Compliance Committee shall formulate and cause to be implemented an information and education program designed to ensure that all MSE employees are aware of all applicable laws, regulations and standards of

business conduct that employees are expected to follow and the consequences both to the employee and to MSE that could ensue from any violation of laws or MSE's policies ("General Training Program"). The General Training Program shall include appropriate reference to MSE's Program.

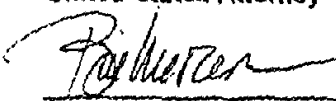
- D. Each consultant, lobbyist, or other person employed or retained by MSE to deal with elected official or candidate shall receive the same training as though employed by MSE as a senior manager.
- E. The Ethics Compliance Committee shall meet semi-annually to review corporate expenditures related to political activities.
- F. The Ethics Compliance Officer shall prepare an annual report ("Compliance Report") concerning MSE's compliance with the requirement of the Program. The Ethics Compliance Officer shall submit the Compliance Report in writing and in person to MSE's Board of Directors. In the event the Compliance Report notes any deficiencies in compliance, MSE's Board of Directors shall take any necessary and appropriate remedial actions.

OMBUDSMAN

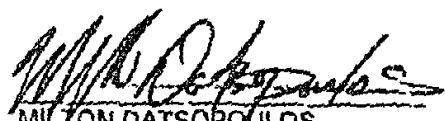
A specific description of the ombudsman program with information on how to report any perceived violations with assurances of confidentiality for any individual, who might be contacting the ombudsman will be distributed to all director officer, administrative and management personnel.

Effective this day, the 25th of April, 2000

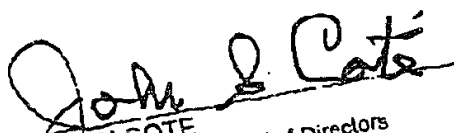
SHERRY SCHEEL MATTEUCCI
United States Attorney



BILL MERCER
Assistant U.S. Attorney



MILTON DATSOPOULOS
Counsel for the Defendant


JOHN COTE
Chairman of the Board of Directors
MSE, Inc.